

AUDITING PROCEDURES REPORT

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Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF BALDWIN	County IOSCO
Audit Date 03/31/2005	Opinion Date 05/23/2005	Date Accountant Report Submitted to State: 09/27/2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) STEPHENSON, GRACIK & CO., P.C.			
Street Address 325 NEWMAN STREET, PO BOX 592	City EAST TAWAS	State MI	ZIP 48730
Accountant Signature  Donald W. Brannan CPA		Digitally signed by Stephenson, Grack and Co., P.C. DN: cn=Stephenson, Grack and Co., P.C., c=US Date: 2005.02.14 14:30:02 -05'00'	



Stephenson Gracik & Co., P.C.

Certified Public Accountants & Consultants

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Herman A Bertuleit, CPA

TOWNSHIP OF BALDWIN
IOSCO COUNTY, MICHIGAN

AUDITORS' REPORT
YEAR ENDED MARCH 31, 2005

AUDITORS' REPORT

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May 23, 2005

Independent Auditors' Report

Members of the Township Board
Township of Baldwin
Iosco County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Baldwin, Iosco County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township of Baldwin's basic financial statements, as listed in the index. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Baldwin, Iosco County, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2005, on our consideration of the Township of Baldwin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

As described in Note 2, the Township of Baldwin has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of March 31, 2005.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Stephenson, Gracik & Co., P.C.

BALDWIN TOWNSHIP

1119 Monument Road
Tawas City, MI 48763
989-362-3742

Jim Svoboda – Supervisor
Jean Davison – Clerk
Andrea Schmidt – Treasurer

Tom Meyer - Trustee
Craig Prescott - Trustee

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Township of Baldwin's (the Township) financial performance provides an overview of the Township's financial activities for the year ended March 31, 2005. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included. This analysis, a requirement of Governmental Accounting Standards Board Statement 34 (GASB 34), omits certain comparative data that will be available in future years.

Financial Highlights

- The Township's assets exceeded its liabilities by \$6,289,175.
- The Township's total net assets increased by \$310,953.
- The Township's governmental funds reported a combined ending fund balance of \$1,219,592 this year, an increase of \$108,274. Of this amount, \$1,219,592 is available for spending (*unreserved fund balance*) on behalf of its citizens. The Township General Fund 2005 year end *fund balance* is \$372,402.

Overview of the Financial Statements

The financial statements are organized so the reader can understand the Township as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The Township's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *statement of net assets* and the *statement of activities* display information about the Township as a whole. These statements include the financial activities of the primary government except for its' fiduciary fund. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for services.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Township at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or functions of the Township's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township with certain limited exceptions. The comparisons of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

With this report, all capital assets and infrastructure are listed for the first time under GASB 34 for the Township of Baldwin. These assets are comprised of buildings, infrastructure and land owned by the Township. These assets total over \$5 million. Township management and staff performed an inventory and evaluation of assets over \$5,000 and categorized a depreciation schedule for assets not fully depreciated.

Fund Financial Statements

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: *Governmental, Proprietary and Fiduciary.*

Governmental Funds:

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

- General Fund – This fund accounts for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenue.
- Road Fund – This fund accounts for the street operations of the Township. Revenues are derived primarily from a special voted tax for street improvements.
- Fire Fund – This fund accounts for tax revenues used for fire protection of the Township.
- Refuse Collection Fund – This fund is used to account for tax revenue used for refuse collection in the Township.
- Downtown Development Authority Fund – This fund is used to account for tax revenues used for construction and improvements.

Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

The Township's enterprise funds may be used to account for any activity for which a fee is charged to external users (citizens) for goods and services. The following are the Township's major enterprise funds:

- Sewer Fund - This fund accounts for the revenues and expenditures required to operate the Township's sewer system including all related appurtenances such as mains and pump stations. Revenues required to operate the system are derived primarily from user fees.
- Water Fund - This fund is maintained to account for operations of the public water system. Revenue and expenditure line items reflect maintenance and operation of the water system in Baldwin Township as

well as the Township's financial participation in the Huron Shore Regional Utility Authority. Like the Sewer Fund, revenues are derived primarily from user fees.

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The Township's agency funds account for assets held by the Township for political subdivisions in which the Township acts as fiscal agent for taxes and fines and forfeitures collected and distributed to other political subdivisions.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided on the Township *government-wide* and *fund* financial statements. Exhibit K notes 1 – 13 provide an expansive and thorough view of various aspects of the audited financial statements.

Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules.

Government-Wide Financial Analysis

Because this is the first year of implementation of Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.

Summary of Net Assets:

The following summarizes the net assets of the Township of Baldwin at March 31, 2005:

Net Assets Summary

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets	\$ 1,235,044	\$ 2,888,155	\$ 4,123,199
Restricted Assets	0	9,728	9,728
Capital Assets – net	245,245	3,804,636	4,049,881
Other Noncurrent Assets	<u>0</u>	<u>508,598</u>	<u>508,598</u>
Total Assets	<u>1,480,289</u>	<u>7,211,117</u>	<u>8,691,406</u>
Current Liabilities	15,452	260,882	276,334
Long-Term Liabilities	<u>0</u>	<u>2,125,897</u>	<u>2,125,897</u>
Total Liabilities	<u>15,452</u>	<u>2,386,779</u>	<u>2,402,231</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	245,245	1,669,539	1,914,784
Restricted	0	9,728	9,728
Unrestricted	<u>1,219,592</u>	<u>3,145,071</u>	<u>4,364,663</u>
Total Net Assets	<u>\$ 1,464,837</u>	<u>\$ 4,824,338</u>	<u>\$ 6,289,175</u>

Summary of Changes in Net Assets:

Following is an analysis of the changes in net assets for 2005. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to 2004 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Generally speaking, the Township's net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. The Township of Baldwin, through its governing body, i.e., Township Board of Trustees, has taken a sensible approach regarding capital asset acquisition and amortization of the incurred debt. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws/regulations of other governments.

The Township Board of Trustees has prudently set aside funds to offset potential personnel and/or administrative liabilities. It is the Township's practice, in general, to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Program Revenues:			
Charges for Services	\$ 55,907	\$ 348,367	\$ 404,274
Operating Grants and Contributions	12,980	0	12,980
Capital Grants and Contributions	<u>0</u>	<u>73,354</u>	<u>73,354</u>
Total Program Revenues	<u>68,887</u>	<u>421,721</u>	<u>490,608</u>
General Revenues:			
Property Taxes	361,291	49,210	410,501
State Revenue Sharing	117,254	0	117,254
Investment Earnings and Miscellaneous	<u>13,297</u>	<u>87,807</u>	<u>101,104</u>
Total General Revenues	<u>491,842</u>	<u>137,017</u>	<u>628,859</u>
Total Revenues	<u>560,729</u>	<u>558,738</u>	<u>1,119,467</u>
Program Expenses:			
General Government	143,786	0	143,786
Public Safety	69,517	0	69,517
Public Works	165,332	0	165,332
Community and Economic Development	25,053	0	25,053
Recreation and Cultural	600	0	600
Other	30,125	0	30,125
Sewer Services	0	145,755	145,755
Water Services	<u>0</u>	<u>228,346</u>	<u>228,346</u>
Total Program Expenses	<u>434,413</u>	<u>374,101</u>	<u>808,514</u>
Change in Net Assets	126,316	184,637	310,953
Beginning Net Assets	<u>1,338,521</u>	<u>4,639,701</u>	<u>5,978,222</u>
Ending Net Assets	<u>\$ 1,464,837</u>	<u>\$ 4,824,338</u>	<u>\$ 6,289,175</u>

Governmental Activities

With GASB 34 implementation, this new component of reporting reflects the *Statement of Activities* and illustrates, by department, the expense incurred and revenue received.

Total governmental activities reveal revenues of \$560,729 from *Charges for Services and Operating Grants and Contributions*. The *Charges for Services* are fees mainly associated with the collection of property taxes, fine and forfeitures, and licenses & permits. While revenue collected is substantial, operating expenses totaled \$434,413 for these same activities. The largest expenses were incurred by General Government offices (\$143,786) and Public Works (\$165,332).

Business-Type Activities

The Township's main *Business-Type activities* are the Sewer and Water Services. For the most part, Water and Sewer Fund revenues and expenditures reflected maintenance of the status quo as compared to past years. Exceptions to this observation were an increase in the number of users, which increased revenues.

Financial Analysis of Township Funds

As noted earlier in this report, the Township uses fund accounting to ensure and demonstrate compliance with finance-related statutory and legal requirements. A thorough review and examination of fund types will reveal the strengths and weaknesses of its daily operations.

Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds: 1) General fund – accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenue; 2) Road Fund – This fund accounts for the street operations of the Township. The primary sources of revenue are from a special voted tax for street improvements; 3) Fire Fund – This fund represents the fire protection of the Township. Revenues are derived primarily from property taxes; 4) Refuse Collection Fund – This fund accounts for the collection of refuse in the Township. Revenues are derived primarily from property taxes; and 5) Downtown Development Authority Fund – This fund represents construction and improvements in the Township. Revenues are derived primarily from property taxes.

The other governmental fund of the Township accounts for the acquisition or construction of major capital facilities.

This year's Township audit, following GASB 34 format, shows 9 funds. The Township Treasurer maintains these funds as separate units in the General Ledger.

Enterprise Funds

The Township's enterprise funds provide the same type of information found in the government-wide financial statements. The Water and Sewer services comprise these funds. GASB 34 places such funds under the caption of *Propriety Funds* under the appropriate statements, i.e., *Statement of Net Assets*, *Statement of Cash Flows*, etc. More specific detail is seen in Exhibits G, H, and I.

Budgetary Highlights

Fiscal Year 2005 saw the Township General Fund balance increase from \$372,402 to \$381,899. This was caused in large part by a decrease in operating transfers to the Road Fund and Capital Improvement Fund of approximately \$73,000 between the two funds. Similarly the Road Fund had a decrease in fund balance in the current year from \$78,720 to \$64,612. In the prior year, fund balance increased by \$41,729. This decrease, however, was in line with the budgeted decrease of \$12,117. Also, the Capital Improvement Fund had an increase in fund balance from \$25,695 to \$28,871. In the prior year, fund balance increased by \$20,628. The Fire Fund saw an increase in fund balance from \$80,596 to \$96,737, an increase of \$16,141. This is in line with the prior year increase of \$15,366. The Refuse Collection Fund saw an increase in fund balance from \$217,369 to \$224,687, an increase of \$7,318. This is much lower than the prior year increase of \$44,084 due to the property tax millage being reduced in the current year because the fund balance accumulated in the Refuse Collection Fund was adequate. The Downtown Development Authority Fund saw an increase in fund balance from \$391,048 to \$432,283, an increase of \$41,235. Compared to the prior year increase of \$54,850, it decreased slightly due to more expenses in the current year for a new sewer line for Bessey and various other maintenance expenses. The Sewer Fund Net Assets increased by \$110,201 compared to an increase of \$207,837 in the prior year. This is due to the Water Fund transferring only \$100,000 as opposed to \$200,000 in the prior year. The Water Fund Net Assets increased by \$74,436 in the current year as opposed to a decrease of \$156,579 in the prior year. This is due to \$100,000 less being transferred to the Sewer Fund and a new special assessment for Maple Avenue in the current year for \$55,654.

Capital Asset and Debt Administration

Capital Assets

Of primary interest with this year's Township financial statements is the inclusion of "capital assets." The Township defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at *historical cost* or *estimated historical cost* if purchased or constructed. Donated capital assets are recorded at estimated FMV (fair market value) at the date of donation.

The Township's infrastructure consists of water and sewer lines. Improvements are capitalized, i.e., depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

Capital Assets – Governmental Activities beginning balance was \$243,704 with an ending balance of \$266,988. Governmental Activities Total Capital Assets – Net of Depreciation was \$245,245.

Capital Assets - Business Type Activities beginning balance was \$4,717,229 with an ending balance of \$4,773,871. Business-Type Activities Total Capital Assets – Net of Depreciation was \$3,804,636. An expanded and detailed presentation may be seen in Note 7 of the notes to financial statements.

Long-Term Debt

The Long-Term debt of the Township of Baldwin, as noted on the financial statements contained herein, is comprised of debt related to direct business transactions by the Township Board of Trustees.

The most significant debt issues impacting the Township recently included the issuance of special assessment bonds to finance the Maple Avenue project.

At year's end, long-term debt (due in more than one year) amounted to \$2,125,897. Such debt includes *Contracts Payable and Bonds Payable*

Economic Factors

The Township Board has worked hard to keep expenditures down and to maintain revenue levels that are within their control. The Township property tax revenues account for approximately 40% of the Township's General Fund Revenues.

Revenue sharing from the State of Michigan is the greatest source of revenue for the Township's General Fund at approximately 47%. As the revenue estimates continue to decline at the state level the Township may lose funds that are currently budgeted. The Township has been able to operate in a streamlined manner, thus building up the General Fund balance over the past three years to prepare for any reductions that may occur.

The major expenses for the Township General Fund are salaries and contractual obligations. Following are the Planning Commission, Buildings and Grounds and Street lighting. The rest of the operating expenses consist of Insurance, Capital Outlay and Recreation.

The Township Board monitors the revenue and expenses throughout the year and takes appropriate action when the economic factors dictate a change.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township of Baldwin, 1119 Monument Road, Tawas City, Michigan, 48763.

TOWNSHIP OF BALDWIN
Iosco County, Michigan

STATEMENT OF NET ASSETS
March 31, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 1,145,211	\$ 1,722,834	\$ 2,868,045
Investments (Note 3)	15,000	210,336	225,336
Receivables:			
Taxes	73,461	2,536	75,997
Special assessments	0	924,542	924,542
Accounts	0	28,709	28,709
Due from fiduciary funds (Note 4)	570	0	570
Internal balances	802	(802)	0
Total current assets	<u>1,235,044</u>	<u>2,888,155</u>	<u>4,123,199</u>
Restricted assets:			
Cash held in escrow (Notes 1 and 3)	<u>0</u>	<u>9,728</u>	<u>9,728</u>
Noncurrent assets:			
Investment in Huron Shore Regional Utility Authority (Note 1)	0	472,683	472,683
Bond issuance costs, net	0	35,915	35,915
Capital assets, net (Note 7)	<u>245,245</u>	<u>3,804,636</u>	<u>4,049,881</u>
Total noncurrent assets	<u>245,245</u>	<u>4,313,234</u>	<u>4,558,479</u>
Total Assets	<u>1,480,289</u>	<u>7,211,117</u>	<u>8,691,406</u>
<u>Liabilities</u>			
Accounts payable	8,420	7,450	15,870
Accrued interest	0	33,912	33,912
Accrued liabilities	11	0	11
Due to local units	7,021	0	7,021
Due to fiduciary funds (Note 4)	0	123	123
Long-term liabilities:			
Due within one year (Note 8)	0	219,397	219,397
Due in more than one year (Note 8)	<u>0</u>	<u>2,125,897</u>	<u>2,125,897</u>
Total Liabilities	<u>15,452</u>	<u>2,386,779</u>	<u>2,402,231</u>
<u>Net Assets</u>			
Investment in capital assets, net of related debt	245,245	1,669,539	1,914,784
Restricted (Note 1)	0	9,728	9,728
Unrestricted	<u>1,219,592</u>	<u>3,145,071</u>	<u>4,364,663</u>
Total Net Assets	<u>\$ 1,464,837</u>	<u>\$ 4,824,338</u>	<u>\$ 6,289,175</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF BALDWIN
Iosco County, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2005

Function/Program	Net (Expense) Revenue and Changes in Net Assets						
	Program Revenues				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 143,786	\$ 50,568	\$ 10,026	\$ 0	\$ (83,192)	\$ 0	\$ (83,192)
Public safety	69,517	0	0	0	(69,517)	0	(69,517)
Public works	165,332	5,204	2,954	0	(157,174)	0	(157,174)
Community and economic development	25,053	135	0	0	(24,918)	0	(24,918)
Recreation and cultural	600	0	0	0	(600)	0	(600)
Other	30,125	0	0	0	(30,125)	0	(30,125)
Total governmental activities	434,413	55,907	12,980	0	(365,526)	0	(365,526)
Business-type activities:							
Sewer services	145,755	127,507	0	17,700	0	(548)	(548)
Water services	228,346	220,860	0	55,654	0	48,168	48,168
Total business-type activities	374,101	348,367	0	73,354	0	47,620	47,620
Total primary government	\$ 808,514	\$ 404,274	\$ 12,980	\$ 73,354	(365,526)	47,620	(317,906)
General Revenues:							
Property taxes levied for:							
General operating					67,709	0	67,709
Fire protection					85,243	0	85,243
Refuse collection					91,806	0	91,806
TIFA					77,213	0	77,213
Roads					39,320	0	39,320
Water debt service					0	49,210	49,210
State revenue sharing					117,254	0	117,254
Interest and investment earnings					12,282	87,807	100,089
Other					1,015	0	1,015
Total general revenues					491,842	137,017	628,859
Change in net assets					126,316	184,637	310,953
Net assets - beginning of year, as restated (Note 2)					1,338,521	4,639,701	5,978,222
Net assets - end of year					\$ 1,464,837	\$ 4,824,338	\$ 6,289,175

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF BALDWIN
Iosco County, Michigan

BALANCE SHEET
 GOVERNMENTAL FUNDS
March 31, 2005

	General	Road Fund	Fire Fund	Refuse Collection Fund	Downtown Development Authority Fund	Other Governmental Fund Capital Improvement Fund	Total Governmental Funds
<u>ASSETS</u>							
Cash and cash equivalents (Note 3)	\$ 365,939	\$ 65,152	\$ 97,901	\$ 232,278	\$ 355,070	\$ 28,871	\$ 1,145,211
Investments (Note 3)	15,000	0	0	0	0	0	15,000
Taxes receivable	0	0	0	0	73,461	0	73,461
Due from other funds (Note 4)	960	1,005	2,130	3,298	3,752	0	11,145
Total Assets	<u>\$ 381,899</u>	<u>\$ 66,157</u>	<u>\$ 100,031</u>	<u>\$ 235,576</u>	<u>\$ 432,283</u>	<u>\$ 28,871</u>	<u>\$ 1,244,817</u>
<u>LIABILITIES AND FUND EQUITY</u>							
<u>Liabilities</u>							
Accounts payable	\$ 1,129	\$ 0	\$ 0	\$ 7,291	\$ 0	\$ 0	\$ 8,420
Accrued liabilities	11	0	0	0	0	0	11
Due to local units	7,021	0	0	0	0	0	7,021
Due to other funds (Note 4)	1,336	1,545	3,294	3,598	0	0	9,773
Total liabilities	<u>9,497</u>	<u>1,545</u>	<u>3,294</u>	<u>10,889</u>	<u>0</u>	<u>0</u>	<u>25,225</u>
<u>Fund Equity</u>							
Fund balances:							
Unreserved, reported in:							
General fund	372,402	0	0	0	0	0	372,402
Special revenue funds	0	64,612	96,737	224,687	432,283	28,871	847,190
Total fund equity	<u>372,402</u>	<u>64,612</u>	<u>96,737</u>	<u>224,687</u>	<u>432,283</u>	<u>28,871</u>	<u>1,219,592</u>
Total Liabilities and Fund Equity	<u>\$ 381,899</u>	<u>\$ 66,157</u>	<u>\$ 100,031</u>	<u>\$ 235,576</u>	<u>\$ 432,283</u>	<u>\$ 28,871</u>	<u>\$ 1,244,817</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNNSHIP OF BALDWIN
Iosco County, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
March 31, 2005

Total governmental fund balances		\$ 1,219,592
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:		
Capital asset cost	\$ 266,988	
Capital asset accumulated depreciation	<u>(21,743)</u>	
		<u>245,245</u>
Total net assets - governmental activities		<u>\$ 1,464,837</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF BALDWIN
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended March 31, 2005

	General	Road Fund	Fire Fund	Refuse Collection Fund	Downtown Development Authority Fund	Other Governmental Fund Capital Improvement Fund	Total Governmental Funds
Revenue							
Taxes	\$ 102,029	\$ 39,320	\$ 85,243	\$ 91,806	\$ 77,213	\$ 0	\$ 395,611
Licenses and permits	3,880	0	0	0	0	0	3,880
Federal grants	10,026	0	0	0	0	0	10,026
State grants and revenue	120,208	0	0	0	0	0	120,208
Charges for services	12,503	5,204	0	0	0	0	17,707
Interest earned	3,725	513	415	1,881	5,472	276	12,282
Other revenue	1,015	0	0	0	0	0	1,015
Total revenue	<u>253,386</u>	<u>45,037</u>	<u>85,658</u>	<u>93,687</u>	<u>82,685</u>	<u>276</u>	<u>560,729</u>
Expenditures							
Current:							
General government	139,632	0	0	0	0	0	139,632
Public safety	0	0	69,517	0	0	0	69,517
Public works	11,965	65,910	0	86,369	0	0	164,244
Community and economic development	25,053	0	0	0	0	0	25,053
Recreation and cultural	600	0	0	0	0	0	600
Other functions	11,634	0	0	0	18,166	325	30,125
Capital outlay	0	0	0	0	23,284	0	23,284
Total expenditures	<u>188,884</u>	<u>65,910</u>	<u>69,517</u>	<u>86,369</u>	<u>41,450</u>	<u>325</u>	<u>452,455</u>
Excess of revenue over (under) expenditures	<u>64,502</u>	<u>(20,873)</u>	<u>16,141</u>	<u>7,318</u>	<u>41,235</u>	<u>(49)</u>	<u>108,274</u>
Other Financing Sources (Uses):							
Operating transfers in	0	6,765	0	0	0	3,225	9,990
Operating transfers out	(9,990)	0	0	0	0	0	(9,990)
Total other financing sources (uses)	<u>(9,990)</u>	<u>6,765</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,225</u>	<u>0</u>
Excess of revenue and other sources over (under) expenditures and other uses	54,512	(14,108)	16,141	7,318	41,235	3,176	108,274
Fund balances - beginning of year	<u>317,890</u>	<u>78,720</u>	<u>80,596</u>	<u>217,369</u>	<u>391,048</u>	<u>25,695</u>	<u>1,111,318</u>
Fund balances - end of year	<u>\$ 372,402</u>	<u>\$ 64,612</u>	<u>\$ 96,737</u>	<u>\$ 224,687</u>	<u>\$ 432,283</u>	<u>\$ 28,871</u>	<u>\$ 1,219,592</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF BALDWIN
Iosco County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2005

Total net change in fund balances - governmental funds		\$ 108,274
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Current year depreciation expense	\$ (5,242)	
Capital assets reported as capital outlays in the governmental funds	<u>23,284</u>	
Net difference		<u>18,042</u>
Change in net assets of governmental activities		<u>\$ 126,316</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF BALDWIN
Iosco County, Michigan

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
March 31, 2005

	Enterprise Funds		
	Major Funds		
	Sewer Fund	Water Fund	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 581,966	\$ 1,140,868	\$ 1,722,834
Investments (Note 3)	93,670	116,666	210,336
Receivables:			
Taxes	0	2,536	2,536
Special assessments	59,001	865,541	924,542
Accounts	12,575	16,134	28,709
Due from other funds (Note 4)	1,046	4,975	6,021
Total current assets	<u>748,258</u>	<u>2,146,720</u>	<u>2,894,978</u>
Restricted assets:			
Cash held in escrow (Notes 1 and 3)	<u>0</u>	<u>9,728</u>	<u>9,728</u>
Noncurrent assets:			
Investment in Huron Shore Regional Utility Authority (Note 1)	0	472,683	472,683
Bond issuance costs, net	0	35,915	35,915
Capital assets, net (Note 7)	<u>1,411,532</u>	<u>2,393,104</u>	<u>3,804,636</u>
Total noncurrent assets	<u>1,411,532</u>	<u>2,901,702</u>	<u>4,313,234</u>
Total Assets	<u>2,159,790</u>	<u>5,058,150</u>	<u>7,217,940</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	4,745	2,705	7,450
Accrued interest	13,720	20,192	33,912
Due to other funds (Note 4)	0	6,946	6,946
Contracts payable, current (Note 8)	95,000	63,397	158,397
General obligation bonds payable, current (Note 8)	<u>0</u>	<u>61,000</u>	<u>61,000</u>
Total current liabilities	<u>113,465</u>	<u>154,240</u>	<u>267,705</u>
Noncurrent liabilities:			
Contracts payable (Note 8)	500,000	571,897	1,071,897
General obligation bonds payable (Note 8)	<u>0</u>	<u>1,054,000</u>	<u>1,054,000</u>
Total noncurrent liabilities	<u>500,000</u>	<u>1,625,897</u>	<u>2,125,897</u>
Total Liabilities	<u>613,465</u>	<u>1,780,137</u>	<u>2,393,602</u>
<u>Net Assets</u>			
Investment in capital assets, net of related debt	816,532	853,007	1,669,539
Restricted (Note 1)	0	9,728	9,728
Unrestricted	<u>729,793</u>	<u>2,415,278</u>	<u>3,145,071</u>
Total Net Assets	<u>\$ 1,546,325</u>	<u>\$ 3,278,013</u>	<u>\$ 4,824,338</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF BALDWIN
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS

For the Year Ended March 31, 2005

	Enterprise Funds		
	Major Funds		
	Sewer Fund	Water Fund	Total
<u>Operating Revenue</u>			
Charges for services	\$ 127,507	\$ 220,860	\$ 348,367
<u>Operating Expenses</u>			
Operating supplies	0	1,595	1,595
Professional fees and services	35,268	65,321	100,589
Water and sewer	28,720	1,031	29,751
Other	7,944	6,926	14,870
Depreciation	35,613	59,301	94,914
Total operating expenses	107,545	134,174	241,719
Operating income	19,962	86,686	106,648
<u>Non-operating Revenue (Expenses)</u>			
Current property taxes	0	49,210	49,210
Special assessments	17,700	55,654	73,354
Interest on special assessments	11,235	56,225	67,460
Interest income	6,908	13,439	20,347
Bond acquisitions costs	0	(975)	(975)
Amortization bond costs	0	(1,033)	(1,033)
Interest expense	(36,700)	(90,673)	(127,373)
Paying agent fees	(1,510)	(1,491)	(3,001)
Total non-operating revenue (expenses)	(2,367)	80,356	77,989
Income before operating transfers	17,595	167,042	184,637
Other Financing Sources (Uses):			
Operating transfers in	92,606	0	92,606
Operating transfers out	0	(92,606)	(92,606)
Total other financing sources (uses)	92,606	(92,606)	0
Change in net assets	110,201	74,436	184,637
Net assets - beginning of year, as restated (Note 2)	1,436,124	3,203,577	4,639,701
Net assets - end of year	\$ 1,546,325	\$ 3,278,013	\$ 4,824,338

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF BALDWIN
Iosco County, Michigan

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
For the Year Ended March 31, 2005

	Enterprise Funds		
	Major Funds		
	Sewer Fund	Water Fund	Total
<u>Cash Flows From Operating Activities</u>			
Receipts from customers	\$ 127,586	\$ 219,685	\$ 347,271
Payments for operating expenses	(72,508)	(74,874)	(147,382)
Net cash provided by operating activities	55,078	144,811	199,889
<u>Cash Flows From Noncapital Financing Activities</u>			
Property taxes received	0	50,513	50,513
Special assessments received	40,574	163,739	204,313
Cash received from (paid to) other funds	90,710	(83,203)	7,507
Net cash provided by noncapital financing activities	131,284	131,049	262,333
<u>Cash Flows From Capital and Related Financing Activities</u>			
Proceeds from issuance of bonds	0	65,000	65,000
Acquisition and construction of capital assets	0	(56,642)	(56,642)
Bond acquisition costs paid	0	(8,593)	(8,593)
Principal paid on long-term debt	(80,000)	(110,508)	(190,508)
Interest and fees paid on long-term debt	(39,967)	(93,665)	(133,632)
Net cash used by capital and related financing activities	(119,967)	(204,408)	(324,375)
<u>Cash Flows From Investing Activities</u>			
Proceeds from maturity of investment securities	0	92,606	92,606
Interest on investments	5,844	11,730	17,574
Purchase of investment securities	(92,606)	0	(92,606)
Net cash provided (used) by investing activities	(86,762)	104,336	17,574
Net increase (decrease) in cash and cash equivalents	(20,367)	175,788	155,421
Cash and cash equivalents at beginning of year (Note 1)	602,333	974,808	1,577,141
Cash and cash equivalents at end of year (Note 1)	\$ 581,966	\$ 1,150,596	\$ 1,732,562
<u>Reconciliation of operating income to net cash provided by operating activities</u>			
Operating income	\$ 19,962	\$ 86,686	\$ 106,648
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	35,613	59,301	94,914
Change in assets and liabilities:			
Accounts receivable	79	(1,175)	(1,096)
Accounts payable	(576)	(1)	(577)
Net cash provided by operating activities	\$ 55,078	\$ 144,811	\$ 199,889

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF BALDWIN
Iosco County, MichiganSTATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
March 31, 2005

	<u>Tax Account</u>
<u>ASSETS</u>	
Cash and cash equivalents (Note 3)	\$ 2,414
Due from other funds (Note 4)	<u>123</u>
Total Assets	<u>\$ 2,537</u>
<u>LIABILITIES</u>	
Due to state	\$ 590
Due to local units	1,375
Due to others	2
Due to other funds (Note 4)	<u>570</u>
Total Liabilities	<u>\$ 2,537</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF BALDWIN
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Baldwin conform in accordance with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. Private-sector standards of accounting issued after November 30, 1989, are generally followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies.

A. Reporting Entity

The Township of Baldwin operates under an elected Township Board (five members) and provides services to its residents in many areas including road maintenance and fire protection. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Joint Venture

The Huron Shore Regional Utility Authority was established as a joint venture between the City of Tawas City, City of East Tawas, Charter Township of Oscoda, Charter Township of AuSable, Township of Alabaster, Township of Baldwin, all municipalities in Iosco County, and the Township of Greenbush in Alcona County. The Authority was established to acquire, own, improve, enlarge, extend and operate water supply and distribution systems and sewage disposal systems. The initial contract amount plus any adjustment for the Township of Baldwin's share of the contracts is recorded as Investment in Huron Shore Regional Utility Authority in the Water Fund of the Township because title to the water and sewer systems belongs to the Authority.

The construction was originally funded with the proceeds of the Iosco County Limited Tax General Obligation Bonds dated March 1, 1991. The most current estimate of the Township's share is 4.49% of the total bond issue of \$7,930,000 or \$356,057. Each entity's percentage of payback will be based on actual gallon usage to be adjusted on an annual basis. The assets of the joint water supply system are the property of the Huron Shore Regional Utility Authority and, therefore, are not presented in these financial statements. The members of this joint venture have pledged their full faith and credit for the payment and are obligated to make such payments from their water funds, including ad-valorem taxes, if necessary. Currently, the Township of Baldwin is making payments through ad-valorem taxes and charges for services.

In 1995, the Township entered into a joint water and sewer system agreement for the purpose of constructing additions, extensions, improvements and related appurtenances to the Huron Shore Regional Utility Authority Water and Sewer System No. 1, with the Charter Township of AuSable, City of Tawas City and the Charter Township of Oscoda. The most current estimate of the Township's share is 5.33% of the total bond issue of \$1,300,000 or \$69,290. Each entity's percentage of payback will be based on actual gallon usage to be adjusted on an annual basis. The assets of the joint water supply system are the property of the Huron Shore Regional Utility Authority and, therefore, are not presented in these financial statements. The members of this joint venture have pledged their full faith and credit for the payment and are obligated to make such payments from their water funds, including ad-valorem taxes, if necessary. Currently, the Township of Baldwin is making payments through ad-valorem taxes and charges for services.

TOWNSHIP OF BALDWIN
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Joint Venture (Continued)

Each municipality makes an annual operation and maintenance contribution based on their proportionate share of the adopted annual budget. The Township of Baldwin's contribution for the year ended March 31, 2005 was \$31,959. The current value of the Township of Baldwin's investment in the Huron Shore Regional Utility Authority is \$472,683. Complete financial statements can be obtained from the Huron Shore Regional Utility Authority's office.

C. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for support.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Township at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type, and are excluded from the government-wide financial statements.

TOWNSHIP OF BALDWIN
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

General Fund - This fund accounts for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenue.

Road Fund – This fund is used to account for the street operations of the Township. Revenues are derived primarily from a special voted tax for street improvements.

Fire Fund – This fund accounts for tax revenues used for fire protection of the Township.

Refuse Collection Fund – This fund is used to account for tax revenue used for refuse collection in the Township.

Downtown Development Authority Fund – This fund is used to account for tax revenues used for construction and improvements.

The other governmental funds of the Township account for grants and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt; and the acquisition or construction of major capital facilities.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

The Township's enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Township's major enterprise funds:

Sewer Fund - This fund accounts for the revenues and expenditures required to operate the Township's sewer system including all related appurtenances such as mains and pump stations. Revenues required to operate the system are derived primarily from user fees.

Water Fund - This fund is maintained to account for operations of the public water system. Revenue and expenditure line items reflect maintenance and operation of the water system in Baldwin Township as well as the Township's financial participation in the Huron Shore Regional Utility Authority. Like the Sewer Fund, revenues are derived primarily from user fees.

TOWNSHIP OF BALDWIN
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The Township of Baldwin uses these funds to account for property tax collections.

E. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the flow of economic resources measurement focus.

All assets and liabilities associated with the operation of the Township are included on the statement of net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in revenue, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the Township finances and meets the cash flow needs of its enterprise activities.

F. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide and enterprise fund financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

TOWNSHIP OF BALDWIN
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Basis of Accounting (Continued)

Revenues – Exchange and Non-exchange Transactions:

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available, means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Township, available means expected to be received within 60 days after year-end.

Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Township must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: charges for services, fines and forfeitures, state-levied locally shared taxes (including sales tax) grants, interest, and rent.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

G. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

TOWNSHIP OF BALDWIN
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Budgets and Budgetary Accounting

The Township normally follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township Clerk submits to the Township Board a proposed operating budget which includes expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through passage of an ordinance.

All budget appropriations lapse at year-end. Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board.

The Township adopts budgets for the General Fund and Special Revenue Funds.

The budgets of the Township are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted at the activity level.

The legal level of control is at the activity level for the General Fund and the Special Revenue Funds.

I. Enterprise Fund Restricted Assets

Restricted assets are those assets required to meet the covenants and conditions of bond indentures and other contract agreements.

J. Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Township are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

K. Receivables

Receivables at March 31, 2005, consist of accounts (fees), taxes, special assessments and charges for sewer and water services due from various customers. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectibility.

No allowance for doubtful accounts was deemed necessary at March 31, 2005.

TOWNSHIP OF BALDWIN
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Interfund Receivables and Payables

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances". Balances to which a fiduciary fund is a party are treated as external receivables and payables.

M. Deferred Charges

Bond issuance costs are deferred and amortized over the life of the bond using the straight-line method since the results are not significantly different from the effective interest method.

N. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds.

Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Township's infrastructure consists of water and sewer lines. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

Property and plant is depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	40 years
Infrastructure	50 years

O. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund statement. In general, payables and accrued liabilities that will be paid from the governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgments, contractually required pension contributions and special termination benefits that are paid from governmental funds are recognized as liabilities in the fund financial statements only to the extent that they are due for payment during the current year.

TOWNSHIP OF BALDWIN
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Township's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Q. Restricted Net Assets

Restricted net assets represent amounts in the water fund required for water improvements and/or debt reduction for the Birch Drive Special Assessment Project. Cash is being held by Iosco County for additional water construction or debt reduction.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Township, these revenues are charges for services for water and sewer usage. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current year.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY

A. Change in Accounting Principles

For 2005, the Township has implemented Governmental Accounting Standards Board (GASB) Statement Number 33 "Accounting and Financial Reporting for Non-Exchange Transactions," as amended by Statement Number 36 "Recipient Reporting for Certain Shared Non-Exchange Revenue," which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting; Number 34, "Basic Financial Statements and Management's Discussion and Analysis-for

TOWNSHIP OF BALDWIN
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 2- CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY (CONTINUED)

A. Change in Accounting Principles (Continued)

State and Local Governments," GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Omnibus," GASB Statement No. 38, "Certain Financial Statement Note Disclosures," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB Statement No. 34 creates new basic financial statements for reporting on the Township's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type. The government-wide financial statements split the Township's programs between governmental activities and business-type activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at March 31, 2005 caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including the Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

B. Restatement of Fund Equity

The restatement due to the implementation of the above statements and interpretation had the following effects on fund equity of the Enterprise funds of the Township as it was previously reported.

	<u>Sewer Fund</u>	<u>Water Fund</u>
Retained Earnings March 31, 2004	\$ 669,578	\$ 751,927
Restatement of contributed capital in accordance with GASB Statement No. 33	782,023	2,187,390
Adjustments to investments in other entities to reflect payments reported as expenses in prior years as a result of the adoption of GASB Statement No. 34 (including accrued interest at March 31, 2004)	(15,477)	234,930
Adjustments for bond issuance costs, net, as a result of the adoption of GASB Statement No. 34	<u>0</u>	<u>29,330</u>
Restated Net Assets – March 31, 2004	<u>\$ 1,436,124</u>	<u>\$ 3,203,577</u>

TOWNSHIP OF BALDWIN
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 1,145,211	\$ 1,722,834	\$ 2,414	\$ 2,870,459
Investments	<u>15,000</u>	<u>210,336</u>	<u>0</u>	<u>225,336</u>
Total Current Assets	1,160,211	1,933,170	2,414	3,095,795
<u>Restricted Assets</u>				
Cash held in escrow	<u>0</u>	<u>9,728</u>	<u>0</u>	<u>9,728</u>
	<u>\$ 1,160,211</u>	<u>\$ 1,942,898</u>	<u>\$ 2,414</u>	<u>\$ 3,105,523</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 1,409,995
Cash held in escrow	<u>9,728</u>
Total Deposits	1,419,723
Investments in Municipal Investment Account Pooled Funds and Similar Vehicles	<u>1,685,800</u>
Total	<u>\$ 3,105,523</u>

Deposits:

Deposits are carried at cost. Deposits of the Township are held at various banks in the name of the Township Treasurer. At March 31, 2005, the carrying amounts of the Township's deposits were classified to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 303,285	\$ 304,705
Uninsured – uncollateralized	<u>1,116,438</u>	<u>1,116,487</u>
Total primary government	<u>\$ 1,419,723</u>	<u>\$ 1,421,192</u>

TOWNSHIP OF BALDWIN
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

The Township Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Township to deposit and invest in the following:

- * Accounts of federally insured banks, credit unions and savings and loan associations
- * Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- * United States government or federal agency obligation repurchase agreements
- * Banker's acceptances of United States banks
- * Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- * Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Township's deposits and investments are in accordance with statutory authority.

The Township's investments are categorized to give an indication of the level of risk assumed by the Township at March 31, 2005. The categories are described as follows:

Category 1 - Insured or registered, with securities held by the entity or its agent in the entity's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the entity's name.

All investments at March 31, 2005 consisted of the following which are not required to be categorized:

	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Nonrisk Categorized</u>		
Municipal Investment Account		
Pooled Funds and Similar Vehicles	<u>\$ 1,685,800</u>	<u>\$ 1,685,800</u>

TOWNSHIP OF BALDWIN
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 4 - RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

The amounts of interfund receivables and payables as of March 31, 2005 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Governmental Funds:		
General Fund	\$ 960	\$ 1,336
Road Fund	1,005	1,545
Fire Fund	2,130	3,294
Refuse Collection Fund	3,298	3,598
Downtown Development Authority Fund	<u>3,752</u>	<u>0</u>
Total Major Governmental Funds	<u>11,145</u>	<u>9,773</u>
Major Enterprise Funds:		
Sewer Fund	1,046	0
Water Fund	<u>4,975</u>	<u>6,946</u>
Total Major Enterprise Funds	<u>6,021</u>	<u>6,946</u>
Fiduciary Funds	<u>123</u>	<u>570</u>
	<u>\$ 17,289</u>	<u>\$ 17,289</u>

The amounts of interfund receivables and payables for the primary government as of March 31, 2005 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 390	Water Fund	\$ 390
General Fund	570	Tax Account Fund	570
Road Fund	1,005	Water Fund	1,005
Fire Fund	2,130	Water Fund	2,130
Refuse Collection Fund	3,298	Water Fund	3,298
Downtown Development Authority Fund	2,207	Refuse Collection Fund	2,207
Downtown Development Authority Fund	1,545	Road Fund	1,545
Sewer Fund	1,046	General Fund	1,046
Water Fund	290	General Fund	290
Water Fund	3,294	Fire Fund	3,294
Water Fund	1,391	Refuse Collection Fund	1,391
Tax Account Fund	<u>123</u>	Water Fund	<u>123</u>
Totals	<u>\$ 17,289</u>		<u>\$ 17,289</u>

TOWNSHIP OF BALDWIN
Iosco County, MichiganNOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005NOTE 5 - UNEMPLOYMENT COMPENSATION

The Township is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Township must reimburse the Employment Agency for all benefits charged against the Township. No liabilities have been incurred as of March 31, 2005.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real property and tangible personal property located in the Township. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls. Real and personal property for the December 1, 2004 levy had a taxable value of \$88,240,245 and equalized at \$125,752,500, representing 50% of estimated current market value. The 2004 operating tax rates are currently .7577 mills for operating, 1.0577 for fire protection, 1.1547 for refuse collection, .6000 for debt retirement and .4955 for roads.

NOTE 7 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase s</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 26,342	\$ 0	\$ 0	\$ 26,342
Capital Assets Being Depreciated:				
Buildings and Improvements	176,292	0	0	176,292
Infrastructure	41,070	23,284	0	64,354
Subtotal	217,362	23,284	0	240,646
Less Accumulated Depreciation for:				
Buildings and Improvements	15,672	4,154	0	19,826
Infrastructure	829	1,088	0	1,917
Subtotal	16,501	5,242	0	21,743
Net Capital Assets Being Depreciated	200,861	18,042	0	218,903
Governmental Activities Total				
Capital Assets - Net of Depreciation	\$ 227,203	\$ 18,042	\$ 0	\$ 245,245
<u>Business-Type Activities</u>				
Capital Assets Being Depreciated:				
Infrastructure	\$ 4,717,229	\$ 56,642	\$ 0	\$ 4,773,871
Less Accumulated Depreciation for:				
Infrastructure	874,321	94,914	0	969,235
Business-Type Activities Total Capital				
Assets - Net of Depreciation	\$ 3,842,908	\$ (38,272)	\$ 0	\$ 3,804,636

TOWNSHIP OF BALDWIN
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 7 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities :	
General government	\$ 4,154
Public works	<u>1,088</u>
Total Governmental Activities	<u>\$ 5,242</u>
Business-Type Activities :	
Sewer	\$ 35,613
Water	<u>59,301</u>
Total Business-Type Activities	<u>\$ 94,914</u>

NOTE 8 - LONG-TERM DEBT

At March 31, 2005, long-term debt consists of the following individual issues:

Business-Type

Primary Government:

A. Contracts Payable

Joint water board agreement with the City of East Tawas and Tawas City through the Iosco County Board of Public Works to finance the cost of improvements and additions of the water supply system, dated March 31, 1993, due in annual installments through July 1, 2016, bearing interest at the rate of 5%. The most current estimate of the Township's share is 25.9% of the total bond issue of \$783,000 or \$202,797.	\$ 125,097
Joint water supply system agreement through the Iosco County Board of Public Works to finance the cost of an extension of the water system to the Tawas Point Coastguardville area. The construction was funded with the proceeds of the \$575,000 Iosco County Limited Tax General Obligation Bonds dated April 1, 1993 due in annual installments through November 1, 2013, bearing interest rates from 3.25% to 5.80%.	300,000
Sewer system agreement to finance the cost of an extension of the sewer system to the Tawas Point Coastguardville area. The construction was funded with the proceeds of the \$650,000 Tawas Utility Authority Limited Tax General Obligation Bonds dated December 1, 1992 due in annual installments through May 1, 2012, bearing interest rates from 4% to 6.45%.	370,000

TOWNSHIP OF BALDWIN
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 8 - LONG-TERM DEBT (CONTINUED)

	<u>Business-Type</u>
<u>Primary Government:</u> (Continued)	
A. Contracts Payable (Continued)	
Joint sewer agreement to finance the cost of constructing a sewer lift station. The construction was funded with the proceeds of the \$460,000 City of East Tawas Sewage Disposal System Revenue Bonds dated April 2, 1997 due in annual installments through December 1, 2008 and bearing interest from 4.10% - 5.30%.	\$ 225,000
Joint water and sewer system agreement for the purpose of constructing additions, extensions, improvements and related appurtenances to the Huron Shore Regional Utility Authority Water Sewer System No. 1, with the Charter Townships of AuSable and Oscoda, and the City of Tawas City bonds dated November 1, 1995 due in annual installments through May 1, 2015 and bearing interest at 4.4% to 5.625%. The most current estimate of the Township's share is 5.33% of the total bond issue of \$1,300,000 or \$69,290.	55,965
Joint water supply system agreement with the Cities of East Tawas and Tawas City, and the Charter Townships of AuSable and Oscoda through the Huron Shore Regional Utility Authority to finance the cost of constructing a new water supply system to serve both cities and the three Townships. The construction was originally funded with the proceeds of the Iosco County Limited Tax General Obligation Bonds dated March 1, 1991 due in annual installments through November 1, 2010, bearing interest rates at 4% to 5.65%. The most current estimate of the Township's share is 4.49% of the total bond issue of \$7,930,000 or \$356,057.	<u>154,232</u> <u>1,230,294</u>
B. General Obligation Bonds Payable:	
\$725,000 Water Special Assessment Bonds dated November 1, 1999. For the purpose of paying part of the cost of making various improvements in the Huron Hills Shore special assessment district. The bonds bear interest at 5.5% and are due in annual installments through 2019.	550,000
\$200,000 Water Special Assessment Bonds dated September 1, 2000. For the purpose of paying part of the cost of making various improvements in the AuSable Point special assessment district. The bonds bear interest from 4.75% to 5.9% and are due in annual installments through 2020.	165,000
\$355,000 Water Special Assessment Bonds dated January 1, 2003. For the purpose of paying part of the cost of making various improvements in the Birch Drive special assessment district. The bonds bear interest from 3.75% to 5% and are due in annual installments through 2022.	335,000

TOWNSHIP OF BALDWIN
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 8 - LONG-TERM DEBT (CONTINUED)

B. General Obligation Bonds Payable: (Continued)

\$65,000 Water Special Assessment Bonds dated May 1, 2004.

For the purpose of paying part of the cost of making various improvements in the Maple Avenue special assessment district. The bonds bear interest from 6.5% to 6.7% and are due in annual installments through 2024.

\$ 65,000
1,115,000

Total Primary Government \$ 2,345,294

C. Changes in Long Term Liabilities

	Balance April 1, 2004	Issues or Additions	Payments or Expenditures	Balance March 31, 2005	Due Within One Year
<u>Business-Type Activities</u>					
Primary Government:					
Contracts payable	\$ 1,318,466	\$ 47,336*	\$ 135,508	\$ 1,230,294	\$ 158,397
General obligation bonds payable	<u>1,105,000</u>	<u>65,000</u>	<u>55,000</u>	<u>1,115,000</u>	<u>61,000</u>
Total primary government	<u>\$ 2,423,466</u>	<u>\$ 112,336</u>	<u>\$ 190,508</u>	<u>\$ 2,345,294</u>	<u>\$ 219,397</u>

*Represents additions to Huron Shore Contracts due to change in usage percentage adjusted annually.

The annual aggregate maturities for all debt outstanding as of March 31, 2005 are as follows:

Primary Government

Contracts Payable

	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 158,397	\$ 92,067	\$ 250,464
2007	159,554	80,138	239,692
2008	159,105	68,179	227,284
2009	184,692	55,785	240,477
2010	109,726	41,928	151,654
2011 – 2015	429,366	68,855	498,221
2016 – 2017	<u>29,454</u>	<u>1,140</u>	<u>30,594</u>
	<u>\$ 1,230,294</u>	<u>\$ 408,092</u>	<u>\$ 1,638,386</u>

TOWNSHIP OF BALDWIN
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 8 - LONG-TERM DEBT (CONTINUED)

General Obligation Bonds Payable

	Business-Type Activities		
	Principal	Interest	Total
2006	\$ 61,000	\$ 56,590	\$ 117,590
2007	66,000	53,406	119,406
2008	62,000	50,189	112,189
2009	63,000	47,025	110,025
2010	63,000	43,826	106,826
2011 - 2015	320,000	170,369	490,369
2016 - 2020	372,000	80,643	452,643
2021 - 2025	<u>108,000</u>	<u>9,929</u>	<u>117,929</u>
	<u>\$ 1,115,000</u>	<u>\$ 511,977</u>	<u>\$ 1,626,977</u>

NOTE 9 - PENSION PLAN

The Township has a defined contribution pension plan with Auto Owners Insurance Company effective February 1992. All full-time employees are covered under the plan. Eligibility to become a participant is limited to those employees who, on the effective date, have attained age 18. Vesting is 100% upon entering the plan. Each employee must contribute 7.0% of their gross earnings to the plan. The Township is required to contribute an amount equal to 7.0% of the employee's gross earnings.

During the year, the Township did not have any current employees participating in the plan. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTE 10 - OPERATING TRANSFERS

During 2005, the following transfers were made:

<u>Description</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
<u>Major Funds</u>		
Major Governmental Funds:		
General Fund	\$ 0	\$ 9,990
Road Fund	6,765	0
Major Business-Type Activity Funds:		
Sewer Fund	92,606	0
Water Fund	<u>0</u>	<u>92,606</u>
Total Major Funds	99,371	102,596
Non-major Governmental Funds	<u>3,225</u>	<u>0</u>
	<u>\$ 102,596</u>	<u>\$ 102,596</u>

TOWNSHIP OF BALDWIN
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 10 - OPERATING TRANSFERS (CONTINUED)

During 2005, the following individual fund transfers were made:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Fund</u>	<u>Operating Transfers Out</u>
Road Fund	\$ 6,765	General Fund	\$ 6,765
Capital Improvement Fund	3,225	General Fund	3,225
Sewer Fund	<u>92,606</u>	Water Fund	<u>92,606</u>
Total	<u>\$ 102,596</u>	Total	<u>\$ 102,596</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the General and Water Funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 11 - SEGMENT INFORMATION OF ENTERPRISE FUNDS

The Township maintains two Enterprise Funds which provide water and sewer services. Segment information for the year ended March 31, 2005 is as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total Enterprise Funds</u>
Operating revenue	\$ 127,507	\$ 220,860	\$ 348,367
Operating expenses	\$ 107,545	\$ 134,174	\$ 241,719
Depreciation expense	\$ 35,613	\$ 59,301	\$ 94,914
Operating income	\$ 19,962	\$ 86,686	\$ 106,648
Non-operating revenue (expenses)	\$ (2,367)	\$ 80,356	\$ 77,989
Operating transfers in (out)	\$ 92,606	\$ (92,606)	\$ 0
Change in net assets	\$ 110,201	\$ 74,436	\$ 184,637
Beginning net assets, as restated	\$ 1,436,124	\$ 3,203,577	\$ 4,639,701
Ending net assets	\$ 1,546,325	\$ 3,278,013	\$ 4,824,338
Property, plant and equipment:			
Additions	\$ 0	\$ 56,642	\$ 56,642
Net working capital	\$ 575,792	\$ 1,126,939	\$ 1,702,731
Current assets	\$ 748,258	\$ 2,146,720	\$ 2,894,978
Restricted assets	\$ 0	\$ 9,728	\$ 9,728
Capital assets	\$ 1,411,532	\$ 2,393,104	\$ 3,804,636
Other noncurrent assets	\$ 0	\$ 508,598	\$ 508,598
Total assets	\$ 2,159,790	\$ 5,058,150	\$ 7,217,940
Current liabilities	\$ 113,465	\$ 154,240	\$ 267,705
Noncurrent liabilities	\$ 500,000	\$ 1,625,897	\$ 2,125,897
Total liabilities	\$ 613,465	\$ 1,780,137	\$ 2,393,602
Contracts payable	\$ 595,000	\$ 635,294	\$ 1,230,294
General obligation bonds payable	\$ 0	\$ 1,115,000	\$ 1,115,000

TOWNSHIP OF BALDWIN
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

NOTE 11 - SEGMENT INFORMATION OF ENTERPRISE FUNDS (CONTINUED)

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total Enterprise Funds</u>
Net assets:			
Investment in capital assets, net of related debt	\$ 816,532	\$ 853,007	\$ 1,669,539
Restricted	\$ 0	\$ 9,728	\$ 9,728
Unrestricted	\$ 729,793	\$ 2,415,278	\$ 3,145,071
Total Net Assets	\$ 1,546,325	\$ 3,278,013	\$ 4,824,338
Net cash provided (used) by:			
Operating activities	\$ 55,078	\$ 144,811	\$ 199,889
Noncapital financing activities	\$ 131,284	\$ 131,049	\$ 262,333
Capital and related financing activities	\$ (119,967)	\$ (204,408)	\$ (324,375)
Investing activities	\$ (86,762)	\$ 104,336	\$ 17,574
Beginning cash and cash equivalents	\$ 602,333	\$ 974,808	\$ 1,577,141
Ending cash and cash equivalents	\$ 581,966	\$ 1,150,596	\$ 1,732,562

NOTE 12 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township continues to carry commercial insurance for risks of loss. Settled claims for the commercial insurance have not exceeded the amount of the insurance coverage in any of the past three years.

NOTE 13 - MAINTENANCE CONTRACT

The Township of Baldwin contracts with an outside firm to provide all routine operation, maintenance, billing and receiving functions for the water and sewer operations of the Township. A monthly fee is paid to the firm for standard services and is subject to an annual review. As of March 31, 2005, the monthly fee was \$5,644. For the year ended March 31, 2005, the total amount paid to the firm was \$67,850.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF BALDWIN
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND
For the Year Ended March 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Taxes	\$ 96,986	\$ 96,986	\$ 102,029	\$ 5,043
Licenses and permits	2,500	2,500	3,880	1,380
Federal grants	15,000	15,000	10,026	(4,974)
State grants and revenue	118,496	118,496	120,208	1,712
Charges for services	12,250	12,250	12,503	253
Interest earned	3,100	3,100	3,725	625
Other revenue	1,600	1,600	1,015	(585)
Total revenue	<u>249,932</u>	<u>249,932</u>	<u>253,386</u>	<u>3,454</u>
<u>Expenditures</u>				
Current:				
General government				
Township board	7,050	7,050	5,282	1,768
Supervisor	26,162	26,162	24,952	1,210
Elections	4,400	4,400	2,300	2,100
Assessor	26,991	26,991	26,677	314
Legal and audit	9,750	9,750	8,988	762
Board of review	1,247	1,247	1,064	183
Clerk	23,878	23,878	23,345	533
Treasurer	26,328	26,328	23,712	2,616
Buildings and grounds	24,550	24,550	23,312	1,238
Public works				
Highways, streets and bridges	100	100	39	61
Street lighting	12,130	12,130	11,926	204
Community and economic development				
Planning commission	32,152	32,152	25,053	7,099
Recreation and cultural				
Recreation	2,500	2,500	600	1,900
Other functions				
Insurance and bonds	8,850	9,750	9,739	11
Miscellaneous	3,100	3,100	1,895	1,205
Capital outlay	10,000	10,000	0	10,000
Total expenditures	<u>219,188</u>	<u>220,088</u>	<u>188,884</u>	<u>31,204</u>
Excess of revenue over expenditures	30,744	29,844	64,502	34,658
Other Financing Uses:				
Operating transfers out	<u>(15,715)</u>	<u>(15,715)</u>	<u>(9,990)</u>	<u>5,725</u>
Excess of revenue over expenditures and other uses	15,029	14,129	54,512	40,383
Fund balances - beginning of year	<u>317,890</u>	<u>317,890</u>	<u>317,890</u>	<u>0</u>
Fund balances - end of year	<u>\$ 332,919</u>	<u>\$ 332,019</u>	<u>\$ 372,402</u>	<u>\$ 40,383</u>

TOWNSHIP OF BALDWIN
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 ROAD FUND - SPECIAL REVENUE FUND
For the Year Ended March 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Taxes	\$ 43,398	\$ 43,398	\$ 39,320	\$ (4,078)
Charges for services	6,500	6,500	5,204	(1,296)
Interest earned	<u>120</u>	<u>120</u>	<u>513</u>	<u>393</u>
Total revenue	50,018	50,018	45,037	(4,981)
<u>Expenditures</u>				
Current:				
Public works	<u>51,000</u>	<u>68,900</u>	<u>65,910</u>	<u>2,990</u>
Excess of revenue over (under) expenditures	(982)	(18,882)	(20,873)	(1,991)
Other Financing Sources:				
Operating transfers in	<u>6,765</u>	<u>6,765</u>	<u>6,765</u>	<u>0</u>
Excess of revenue and other sources over (under) expenditures	5,783	(12,117)	(14,108)	(1,991)
Fund balances - beginning of year	<u>78,720</u>	<u>78,720</u>	<u>78,720</u>	<u>0</u>
Fund balances - end of year	<u>\$ 84,503</u>	<u>\$ 66,603</u>	<u>\$ 64,612</u>	<u>\$ (1,991)</u>

TOWNSHIP OF BALDWIN
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FIRE FUND - SPECIAL REVENUE FUND
For the Year Ended March 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Taxes	\$ 90,519	\$ 90,519	\$ 85,243	\$ (5,276)
Interest earned	<u>200</u>	<u>200</u>	<u>415</u>	<u>215</u>
Total revenue	90,719	90,719	85,658	(5,061)
<u>Expenditures</u>				
Current:				
Public safety	<u>70,540</u>	<u>70,540</u>	<u>69,517</u>	<u>1,023</u>
Excess of revenue over expenditures	20,179	20,179	16,141	(4,038)
Fund balances - beginning of year	<u>80,596</u>	<u>80,596</u>	<u>80,596</u>	<u>0</u>
Fund balances - end of year	<u>\$ 100,775</u>	<u>\$ 100,775</u>	<u>\$ 96,737</u>	<u>\$ (4,038)</u>

TOWNSHIP OF BALDWIN
Iosco County, Michigan

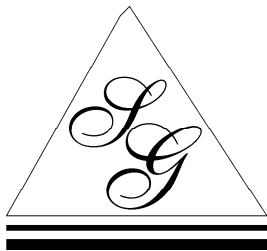
STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 REFUSE COLLECTION FUND - SPECIAL REVENUE FUND
For the Year Ended March 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Taxes	\$ 102,947	\$ 102,947	\$ 91,806	\$ (11,141)
Interest earned	<u>1,050</u>	<u>1,050</u>	<u>1,881</u>	<u>831</u>
Total revenue	103,997	103,997	93,687	(10,310)
<u>Expenditures</u>				
Current:				
Public works	<u>86,419</u>	<u>86,419</u>	<u>86,369</u>	<u>50</u>
Excess of revenue over expenditures	17,578	17,578	7,318	(10,260)
Fund balances - beginning of year	<u>217,369</u>	<u>217,369</u>	<u>217,369</u>	<u>0</u>
Fund balances - end of year	<u>\$ 234,947</u>	<u>\$ 234,947</u>	<u>\$ 224,687</u>	<u>\$ (10,260)</u>

TOWNSHIP OF BALDWIN
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 DOWNTOWN DEVELOPMENT AUTHORITY FUND -
 SPECIAL REVENUE FUND
For the Year Ended March 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Taxes	\$ 98,075	\$ 98,075	\$ 77,213	\$ (20,862)
Interest earned	<u>2,250</u>	<u>2,250</u>	<u>5,472</u>	<u>3,222</u>
Total revenue	<u>100,325</u>	<u>100,325</u>	<u>82,685</u>	<u>(17,640)</u>
<u>Expenditures</u>				
Current:				
Other functions	31,500	31,500	18,166	13,334
Capital outlay	<u>43,500</u>	<u>43,500</u>	<u>23,284</u>	<u>20,216</u>
Total expenditures	<u>75,000</u>	<u>75,000</u>	<u>41,450</u>	<u>33,550</u>
Excess of revenue over expenditures	25,325	25,325	41,235	15,910
Fund balances - beginning of year	<u>391,048</u>	<u>391,048</u>	<u>391,048</u>	<u>0</u>
Fund balances - end of year	<u>\$ 416,373</u>	<u>\$ 416,373</u>	<u>\$ 432,283</u>	<u>\$ 15,910</u>



Stephenson Gracik & Co., P.C.

Certified Public Accountants & Consultants

Alan J Stephenson, CPA
Gerald D Gracik Jr., CPA
James J Gracik, CPA
E. Thad Gray, CPA
Donald W. Brannan, CPA
Kyle E Troyer, CPA

Herman A Bertuleit, CPA

May 23, 2005

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Township Board
Township of Baldwin
Iosco County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Baldwin, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated May 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

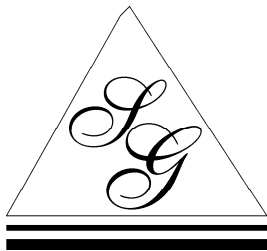
In planning and performing our audit, we considered the Township of Baldwin's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Baldwin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Stephenson, Gracik & Co., P.C.



Stephenson Gracik & Co., P.C.

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May 23, 2005

Members of the Township Board
Township of Baldwin
Iosco County, Michigan

Dear Board Members:

We have audited the financial statements of the Township of Baldwin for the year ended March 31, 2005, and have issued our report thereon dated May 23, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated January 27, 2003, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township of Baldwin. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township of Baldwin's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Baldwin are described in Note 1 to the financial statements. As described in Note 2 to the financial statements, the Township changed accounting policies as a result of adopting Statement of Governmental Accounting Standards (GASB Statements) No. 33, 34, 36, 37 and 38, in the year ended March 31, 2005. We noted no transactions entered into by the Township of Baldwin during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of Baldwin's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township of Baldwin, either individually or in the aggregate, indicate matters that could have a significant effect on the Township of Baldwin's financial reporting process.

Members of the Township Board
Township of Baldwin
May 23, 2005
Page Two

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Baldwin's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

We wish to express our appreciation for the cooperation and courtesies extended our staff by management and employees of the Township.

This information is intended solely for the use of management, Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.